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AZ CORP COMMISSION
DOCKET CONTROL

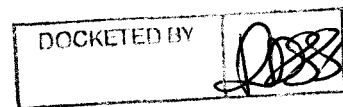
BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

GARY PIERCE, CHAIRMAN
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP
BRENDA BURNS

Arizona Corporation Commission
DOCKETED

OCT 11 2011



IN THE MATTER OF THE APPLICATION OF
INDIADA WATER COMPANY, INC., FOR
APPROVAL OF A PERMANENT INCREASE
IN ITS WATER RATES.

DOCKET NO. W-02031A-10-0168

IN THE MATTER OF THE APPLICATION OF
ANTELOPE RUN WATER COMPANY FOR
APPROVAL OF A PERMANENT INCREASE
IN ITS WATER RATES.

DOCKET NO. W-02327A-10-0169

IN THE MATTER OF THE APPLICATION OF
BOB B. WATKINS DBA EAST SLOPE
WATER COMPANY FOR APPROVAL OF
ITS PERMANENT INCREASE IN ITS
WATER RATES.

DOCKET NO. W-01906A-10-0170

IN THE MATTER OF THE APPLICATION OF
BOB B. WATKINS DBA EAST SLOPE
WATER COMPANY, INDIADA WATER
COMPANY, INC., AND ANTELOPE RUN
WATER COMPANY FOR APPROVAL OF A
TRANSFER OF ASSETS AND

DOCKET NO. W-01906A-10-0171
DOCKET NO. W-02031A-10-0171
DOCKET NO. W-02327A-10-0171

1 CERTIFICATES OF CONVENIENCE AND
2 NECESSITY.

3 IN THE MATTER OF THE APPLICATION OF
4 BOB B. WATKINS DBA EAST SLOPE
5 WATER COMPANY FOR AUTHORITY TO
6 INCUR LONG-TERM DEBT.

DOCKET NO. W-01906A-10-0183

7 IN THE MATTER OF THE APPLICATION OF
8 INDIADA WATER COMPANY, INC. FOR
9 AUTHORITY TO INCUR LONG-TERM
10 DEBT.

DOCKET NO. W-02031A-10-0184

11 IN THE MATTER OF THE APPLICATION OF
12 ANTELOPE RUN WATER COMPANY FOR
13 AUTHORITY TO INCUR LONG-TERM
14 DEBT.

DOCKET NO. W-02327A-10-0185

**NOTICE OF FILING
ADDITIONAL REJOINDER
TESTIMONY OF
SONN ROWELL AND
BONNIE O'CONNOR**

15 East Slope Water Company, Antelope Run Water Company, and Indiada Water
16 Company (collectively "Companies") hereby give notice that the Companies are filing
17 the additional rejoinder testimony of Bonnie O'Connor and Sonn Rowell and supporting
18 schedules. *See* Exhibit 1 (O'Connor) and Exhibit 2 (Rowell). The testimony and related
19 schedules are attached. The Companies reserve the right to call additional witnesses if
20 deemed necessary to address issues raised by the Corporation Commission Staff or the
21 hearing officer.
22
23

24 RESPECTFULLY SUBMITTED this 11th day of October, 2011.

25
26 **MOYES SELLERS & HENDRICKS LTD.**

27 
28 Steve Wene

1 Original and 13 copies of the foregoing
2 filed this 11th day of October, 2011, with:

3 Docket Control
4 Arizona Corporation Commission
5 1200 West Washington
6 Phoenix, Arizona 85007

7 Donnelly Herbert
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EXHIBIT 1

1 Steve Wene, State Bar No. 019630
2 MOYES SELLERS & HENDRICKS LTD.
3 1850 N. Central Ave., Suite 1100
4 Phoenix, Arizona 85004
5 Telephone: 602-604-2141
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14 IN THE MATTER OF THE APPLICATION OF
15 INDIADA WATER COMPANY, INC., FOR
16 APPROVAL OF A PERMANENT INCREASE
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DOCKET NO. W-02031A-10-0168

18 IN THE MATTER OF THE APPLICATION OF
19 ANTELOPE RUN WATER COMPANY FOR
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10 IN THE MATTER OF THE APPLICATION OF
11 ANTELOPE RUN WATER COMPANY FOR
12 AUTHORITY TO INCUR LONG-TERM
13 DEBT.

DOCKET NO. W-02327A-10-0185

**UPDATED REJOINDER
TESTIMONY OF BONNIE
O'CONNOR**

14 **Q. What is your purpose in offering this testimony?**

15 A. On behalf of the East Slope Water Company, Antelope Run Water Company, and
16 Indiada Water Company (collectively referred to as "ESARIN" or "Companies") I am
17 responding to Judge Martin's request for information regarding the County franchise
18 process if the Companies are consolidated into one entity.

19 **Q. Explain what would need to occur if the Arizona Corporation Commission**
20 **approved the proposed consolidation of Companies.**

21 As the ongoing company, East Slope Water Company, Inc. would have to apply
22 for a franchise for its certificated area, pay a \$500.00 application fee, and petition the
23 Cochise County Board of Supervisors for approval. Samples of documentation necessary
24 to complete this process are set forth in Attachment 1.

ATTACHMENT 1

EAST SLOPE WATER COMPANY, INC.

**P.O. BOX 85160
TUCSON, ARIZONA 85754
520-623-5172
FAX 520-792-0377**

October , 2011

Cochise County Board of Supervisors
1415 W. Melody Lane, Building G
Bisbee, Arizona 85603

Re: Application for Franchise

The Honorable Board of Supervisors;

Attached is a completed Application for Franchise for East Slope Water Company, Inc. along with the \$500.00 application fee. I have attached the legal description of a New Franchise area.

The purpose of this application is to request the joining of three existing franchises' into one franchise in order to provide water service.

After our franchise has been granted to include the expanded area, we will apply to the Arizona Corporation Commission for a Certificate of Convenience and Necessity ("CC&N") to join the CC&N of the noted areas as applicable.

If you have any questions or need additional information, please feel free to contact me at the number listed above.

Regards;

Bonnie O'Connor
President
Southwestern Utility Management, Inc.
For
East Slope Water Company, Inc.

Enclosure(s)

**COCHISE COUNTY, ARIZONA
APPLICATION FOR FRANCHISE**

Applicant's Name: East Slope Water Company, Inc.

Address: PO Box 85160 City: Tucson State: Arizona Zip: 85754

Telephone: 520-623-5172 Emergency Telephone: 520-429-3208 (onsite Technician)

Who will own and operate the system, if other than applicant:

Name: Nathan Watkins, President, Bob Watkins, Owner

Address: City: 301 North Garden Ave. Sierra Vista State: AZ Zip: 85635

Telephone: (520) 458-4388 Emergency Telephone: (520) 432-2017

Indicate the type of franchise you are applying for:

- ☐ Cable TV ☐ Electricity ☐ Gas ☐ Sewer ☒ Water
☐ Telecommunications ☐ Fiber Optic

Note: If you are claiming an exemption from obtaining a franchise please specify reason:

Does the applicant have an existing or proposed agreement with anyone proposing to have an ownership interest in the franchise? ☐ Yes ☒ No

If the answer is yes, please attach a statement from Corporate Council setting forth the name(s) and address(es) of the person(s) with such ownership interest, and a copy of the agreement.

What is the applicant's experience in providing service for the utility for which applicant is applying for a franchise? The Applicant has 30 plus years' experience in maintaining and operating water facilities. The company intends to join the franchises' of East Slope Water Company, Antelope Run Water Company and Indiada Water Company into one franchise as required by the Arizona Corporation Commission.

How many people do you anticipate serving with this utility? Approximately 995 service connections (3500 people)

**THIS APPLICATION MUST BE ACCOMPANIED BY A \$500 NONREFUNDABLE
FRANCHISE APPLICATION FEE AND A LEGAL DESCRIPTION OF THE
BOUNDARY OF THE AREA TO BE SERVED BY THE FRANCHISE.**

SAMPLE

APPLICATION FOR A FRANCHISE

FOR THE OPERATION OF A WATER PLANT AND DISTRIBUTION SYSTEM.

TO THE BOARD OF SUPERVISORS OF COCHISE COUNTY, STATE OF ARIZONA, East Slope Water Company, Inc. , AN ARIZONA CORPORATION, respectfully petitions the Honorable Board of supervisors of Cochise County, State of Arizona, for a WATER PLANT/DISTRIBUTION SYSTEM Franchise, to construct, maintain and operate its pipe lines, conduits and other necessary facilities for a period of twenty-five (25) years, for the purpose of transporting, distributing and selling WATER SERVICE for all purposes and to construct and maintain pipes, conduits, and other necessary facilities along, under and across the public streets, alleys and highways in the area known as East Slope Water Company, Sierra Vista, COCHISE COUNTY, ARIZONA, and more particularly described as follows:

SEE ATTACHED EXHIBITS - REINSTATED AND NEW FRANCHISE AREA

All construction, maintenance and use of the above shall be under such restriction and limitations, and upon such terms as the Board of Supervisors shall provide, and which shall not be inconsistent with law, or the orders or rules of the Arizona Corporation Commission. That your petitioner is a corporation duly organized and doing business under the laws of the State of Arizona. The area to be served is patented land and your petitioners have heretofore filed and application for a Certificate of Convenience and Necessity with the Arizona Corporation Commission.

Wherefore, your petitioner prays that after due and legal notice of this petition given as required by law, the application for your petitioner for a WATER PLANT/DISTRIBUTION SYSTEM. To construct, maintain and operate its pipe lines, conduit, and other necessary facilities as aforesaid, be approved and granted.

Dated this _____ day of _____, 20011.

Signature of Petitioner

P.O. Box 85160, Tucson, Arizona 85754
Mailing Address

EXHIBIT 2

1 Steve Wene, State Bar No. 019630
2 MOYES SELLERS & HENDRICKS LTD.
3 1850 N. Central Ave., Suite 1100
4 Phoenix, Arizona 85004
5 Telephone: 602-604-2141
6 swene@law-msh.com

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DOCKET NO. W-02031A-10-0168

19 IN THE MATTER OF THE APPLICATION OF
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DOCKET NO. W-02327A-10-0169

23 IN THE MATTER OF THE APPLICATION OF
24 BOB B. WATKINS DBA EAST SLOPE
25 WATER COMPANY FOR APPROVAL OF
26 ITS PERMANENT INCREASE IN ITS
27 WATER RATES.

DOCKET NO. W-01906A-10-0170

28 IN THE MATTER OF THE APPLICATION OF
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WATER COMPANY, INDIADA WATER
COMPANY, INC., AND ANTELOPE RUN
WATER COMPANY FOR APPROVAL OF A
TRANSFER OF ASSETS AND
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DOCKET NO. W-01906A-10-0171
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9 DEBT.

DOCKET NO. W-02031A-10-0184

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12 AUTHORITY TO INCUR LONG-TERM
13 DEBT.

DOCKET NO. W-02327A-10-0185

**UPDATED REJOINDER
TESTIMONY OF SONN
ROWELL**

14 **Q. What is your purpose in offering this testimony?**

15 A. On behalf of the East Slope Water Company, Antelope Run Water Company, and
16 Indiada Water Company (collectively referred to as "ESARIN" or "Companies") I am
17 replying to Staff's updated schedules and supporting testimony filed on September 30,
18 2011. I hereby incorporate my previous testimony filed in this matter as well as the
19 attached documents supporting this testimony. *See Attachments 1 – 9.*

20 **Q. What is your primary concern with Staff's testimony?**

21 A. My primary concern is that Staff's proposal does not generate enough money to
22 reasonably operate the Companies and meet its financial obligations to WIFA if the
23 proposed loan is taken by the Companies.

24 **OPERATING MARGIN V. RATE OF RETURN ON RATE BASE**

25 **Q. What methodology do you recommend should be applied to the Companies?**

26 A. The Companies' rates should be set using the operating margin methodology
27 rather than the rate of return on rate base methodology because the latter does not
28 generate enough revenue to keep the Companies financially sound. The table below

illustrates the Companies' position regarding the appropriate operating margin for each Company as well as ERARIN (consolidated) and compares it to Staff's proposed operating margins:

	Companies' Operating Margin	Staff's Operating Margin
East Slope	12.00%	5.07%
Antelope Run	13.34%	10.12%
Indiada	13.40%	8.49%
ESARIN	12.40%	6.63%

Staff's proposed operating margins are simply too low for small water companies. Meanwhile, the Companies' proposed operating margins are reasonable.

Q. In the analysis above, why did you choose to use Staff's operating margin calculated without the surcharge?

A. Using operating margin with the WIFA loan surcharge is misleading. If the surcharge is factored in, the operating margin accounts for the surcharge cash in, but does not account for the cash out going directly to WIFA – i.e., it accounts for the cash collected by the surcharge, but does not account for cash being paid to WIFA. That is why under Staff's proposal the operating margin for ESARIN jumps from 6.63% to 33.89% with the surcharge in place (*see* Staff's Consolidated Schedule JMM-19) even though ESARIN would have to actually pay an additional \$3,238 per month for the debt reserve from its cash flow. *See* Attachment 4, Schedule SSR-4, line 27. Put another way, if and when the surcharge is applied, ESARIN's net monthly cash flow drops from \$5,153 to \$1,915, yet the operating margin simultaneously goes from 6.63% to 33.89%. *See* Staff's Consolidated Schedule JMM-19. Clearly, knowing that surcharge must be used to pay for the WIFA loan, the operating margin calculation that includes surcharge cash flow in is not a useful analysis.

1 **Q. Briefly describe Staff's position on what method should be used to determine**
2 **the Company's revenue requirement.**

3 Staff proposes using the rate of return methodology with a 10% rate of return on
4 rate base. Staff also believes that the WIFA loan debt reserve should be paid from the
5 funds generated by the 10% rate of return.

6 **Q. Do you think Staff's recommendation to base the revenue requirement on a**
7 **generic 10% return on equity for each entity and the consolidated entity is**
8 **sufficient?**

9 A. No, it is not sufficient, especially if the WIFA loan is taken and the Companies are
10 obligated to pay the WIFA reserve without any corresponding additional cash inflow.

11 **Q. Please explain your response in more detail.**

12 A. To understand what Staff is proposing, you have to review Staff's Schedule JMM-
13 19s and perform a cash flow analysis for each of the Companies and the consolidated
14 ESARIN. But Schedule JMM-19 can lead readers to an erroneous conclusion that the
15 Companies will have adequate cash flow because Staff is mixing income data into the
16 cash flow analysis.

17 A straightforward monthly cash flow analysis shows that Staff's position will
18 leave the Companies in a poor financial position. The table below identifies cash in and
19 cash out on a monthly basis under Staff's proposed rates and WIFA loan surcharge:

20

	<i>East Slope</i>	<i>Antelope Run</i>	<i>Indiada</i>	ESARIN
Cash in	\$34,870	\$12,988	\$4,211	\$54,238
Cash out	(\$33,890)	(\$12,260)	(\$4,052)	(\$52,323)
Net Cash	\$981	\$728	\$158	\$1,915

25

26 See Attachments 1-4 (monthly cash flow analysis in last 5 lines). A net cash flow of less
27 than \$2,000 for a water company serving 1,044 customers is simply insufficient, as this
28

amounts to \$1.83 per customer per month for expenses that vary from Staff's budgeted amounts.

What is most troubling is that Staff's position is actually a financial disincentive for the Company to take on the WIFA loan to improve the systems and presumes to require the Companies to commit substantial amounts of its depreciation cash flow (i.e., return of investment) to repay the WIFA loan. As the table below illustrates, not only is there not enough cash flow to reasonably sustain the Companies even without the surcharge, the surcharge as proposed by Staff burdens the Companies to the point that they have negative free cash flow:

Cash Flow Per Month

	Customers	Free Cash Flow w/o WIFA Loan Surcharge	Free Cash Flow with WIFA Loan Surcharge
East Slope	820	\$1,068.00	-\$831.00
Antelope Run	168	\$729.00	-\$330.00
Indiada	56	\$227.00	-\$93.00
ESARIN	1,044	\$2,032.00	-\$1,206.00

See Attachments 1-4 (monthly cash flow analysis in last 5 lines). The Companies believe this is not a good policy. Small companies that have no access to investment markets should not be required to sacrifice their very limited cash flow to take a WIFA loan. The WIFA loan surcharge should be a pass through from the customers to WIFA, leaving the company in essentially same position it would be in if the loan was not taken.

WIFA LOAN SURCHARGE

Q. Do you agree with Staff that a WIFA Loan Surcharge is appropriate here?

A. Yes.

Q. Do you disagree regarding how Staff calculates the WIFA Loan Surcharge?

A. Yes. Staff is not including the annual debt reserve payment, which is significant.

For instance, the annual debt reserve payment for ESARIN would be \$38,852. There needs to be a revenue stream to pay for this obligation. The Companies propose

1 including the debt reserve, and any additional tax obligation, in the surcharge. The
2 Companies have calculated its proposed surcharge for each Company individually and
3 ESARIN (consolidated). *See* Attachments 5 to 8.

4 **RATE CASE EXPENSE**

5 **Q. Do you still disagree with Staff's position that rate case expense should not**
6 **include the expenses incurred by the Company's when they came in for emergency**
7 **rates in the Fall of 2009?**

8 **A.** Yes. As I have testified previously, it would be a bad policy to not allow small
9 water companies to recover emergency rate case expense, especially when the
10 Commission grants the relief as it did here. Staff has never provided any sound policy
11 reason for disallowing such expense. Staff simply argues it is a non-recurring expense.
12 But all rate case expense is non-recurring, which is why it is amortized for a reasonable
13 period of time.

14 **CUSTOMER DEPOSITS**

15 **Q. Although Staff made some adjustments, has the Companies' position**
16 **regarding customer deposits changed?**

17 **A.** No. A security deposit is not capital and such deposits should not be deducted
18 from plant and rate base because they are never put into plant and rate base in the first
19 place. However, this argument is only relevant if Staff's proposal to calculate rates
20 using a rate of return on rate base is adopted.

21 **OTHER ISSUES**

22 **Q. While reviewing your schedules, you noticed clerical errors in Schedule H-3,**
23 **please explain.**

24 **A.** The previous ESARIN Schedule H-3 had tier breaks for the larger meters (1" to
25 6") at 10,000 and 20,000 gallons. The corrected tiers are set forth in the Amended
26 Rejoinder Schedule H-3 in Attachment 9.

ATTACHMENT 1

Analysis of Staff Schedule JMM-19 for Indiada

Line	Description	Staff Proposed Amounts	
		Without Surcharge & WIFA Loan	With Surcharge & WIFA Loan
Annual Cash Inflows:			
1	Cash Flow from Base Rates	\$ 32,741	\$ 32,741
2	Cash Flow from Surcharge	-	17,788
3	Total Cash Inflows from Rates	\$ 32,741	\$ 50,529
Annual Cash Outflows:			
4	Purchased Power	\$ 1,818	\$ 1,818
5	Chemicals	166	166
6	Repairs & Maintenance	910	910
7	Office Supplies and Expense	1,384	1,384
8	Outside Services	14,101	14,101
9	Water Testing	2,129	2,129
10	Transportation Expense	3,557	3,557
11	Rate Case Expense	1,439	1,439
12	Miscellaneous Expense	10	10
13	Property Taxes	1,431	1,716
14	AIAC repayments	52	52
15	WIFA Loan Interest	-	9,104
16	WIFA Loan Principal	-	8,684
17	WIFA Debt Service Reserve	-	3,558
18	Total Annual Cash Outflows	\$ 26,997	\$ 48,628
19	Annual Cash Flow From Operations (Line 3 - 18)	\$ 5,744	\$ 1,901
20	Annual Cash Flow from Depreciation Expense	3,016	3,016
21	Annual Free Cash Flow (Line 19 - 20)	\$ 2,728	\$ (1,115)
22	% Free Cash Flow of Cash Inflows (Line 21 / 3)	8.33%	-2.21%
23	Monthly Cash In (Line 3 / 12)	\$ 2,728	\$ 4,211
24	Monthly Cash Out (Line 18 / 12)	(2,250)	(4,052)
25	Net Monthly Cash (Net of lines 23 & 24)	\$ 479	\$ 158
26	Monthly Cash Flow from Depreciation Expense (Line 20 / 12)	(251)	(251)
27	Monthly Free Cash Flow (Net of lines 25 & 26)	\$ 227	\$ (93)

ATTACHMENT 2

Analysis of Staff Schedule JMM-19 for Antelope Run

Line	Description	Staff Proposed Amounts	
		Without Surcharge & WIFA Loan	With Surcharge & WIFA Loan
	Annual Cash Inflows:		
1	Cash Flow from Base Rates	\$ 91,242	\$ 91,242
2	Cash Flow from Surcharge	-	64,615
3	Total Cash Inflows from Rates	\$ 91,242	\$ 155,857
	Annual Cash Outflows:		
4	Purchased Power	\$ 17,695	\$ 17,695
5	Chemicals	166	166
6	Repairs & Maintenance	3,358	3,358
7	Office Supplies and Expense	2,393	2,393
8	Outside Services	33,478	33,478
9	Water Testing	1,899	1,899
10	Transportation Expense	5,245	5,245
11	Rate Case Expense	2,000	2,000
12	Miscellaneous Expense	27	27
13	Property Taxes	3,049	4,088
14	AIAC repayments	478	478
15	WIFA Loan Interest	-	32,538
16	WIFA Loan Principal	-	31,039
17	WIFA Debt Service Reserve	-	12,715
18	Total Annual Cash Outflows	\$ 69,788	\$ 147,119
19	Annual Cash Flow From Operations (Line 3 - 18)	\$ 21,454	\$ 8,738
20	Annual Cash Flow from Depreciation Expense	12,702	12,702
21	Annual Free Cash Flow (Line 19 - 20)	\$ 8,752	\$ (3,964)
22	% Free Cash Flow of Cash Inflows (Line 21 / 3)	9.59%	-2.54%
23	Monthly Cash In (Line 3 / 12)	\$ 7,604	\$ 12,988
24	Monthly Cash Out (Line 18 / 12)	(5,816)	(12,260)
25	Net Monthly Cash (Net of lines 23 & 24)	\$ 1,788	\$ 728
26	Monthly Cash Flow from Depreciation Expense (Line 20 / 12)	(1,059)	(1,059)
27	Monthly Free Cash Flow (Net of lines 25 & 26)	\$ 729	\$ (330)

ATTACHMENT 3

Analysis of Staff Schedule JMM-19 for East Slope

Line	Description	Staff Proposed Amounts	
		Without Surcharge & WIFA Loan	With Surcharge & WIFA Loan
Annual Cash Inflows:			
1	Cash Flow from Base Rates	\$ 281,285	\$ 281,285
2	Cash Flow from Surcharge	-	137,156
3	Total Cash Inflows from Rates	\$ 281,285	\$ 418,441
Annual Cash Outflows:			
4	Purchased Power	\$ 53,234	\$ 53,234
5	Chemicals	460	460
6	Repairs & Maintenance	12,341	12,341
7	Office Supplies and Expense	8,246	8,246
8	Outside Services	122,149	122,149
9	Water Testing	3,980	3,980
10	Transportation Expense	13,003	13,003
11	Insurance - General Liability	6,491	6,491
12	Rate Case Expense	10,000	10,000
13	Miscellaneous Expense	446	446
14	Property Taxes	11,163	13,367
15	Income Taxes	3,774	24,795
16	AIAC repayments	1,446	1,446
17	WIFA Loan Interest	-	58,308
18	WIFA Loan Principal	-	55,622
19	WIFA Debt Service Reserve	-	22,786
20	Total Annual Cash Outflows	\$ 246,733	\$ 406,674
21	Annual Cash Flow From Operations (Line 3 - 20)	\$ 34,552	\$ 11,767
22	Annual Cash Flow from Depreciation Expense	21,736	21,736
23	Annual Free Cash Flow (Line 21 - 22)	\$ 12,816	\$ (9,969)
24	% Free Cash Flow of Cash Inflows (Line 23 / 3)	4.56%	-2.38%
25	Monthly Cash In (Line 3 / 12)	\$ 23,440	\$ 34,870
26	Monthly Cash Out (Line 20 / 12)	(20,561)	(33,890)
27	Net Monthly Cash (Net of lines 25 & 26)	\$ 2,879	\$ 981
28	Monthly Cash Flow from Depreciation Expense (Line 22 / 12)	(1,811)	(1,811)
29	Monthly Free Cash Flow (Net of lines 27 & 28)	\$ 1,068	\$ (831)

ATTACHMENT 4

Analysis of Staff Schedule JMM-19 for ESARIN (Consolidated)

Line	Description	Staff Proposed Amounts	
		Without Surcharge & WIFA Loan	With Surcharge & WIFA Loan
Annual Cash Inflows:			
1	Cash Flow from Base Rates	\$ 396,651	\$ 396,651
2	Cash Flow from Surcharge	-	254,201
3	Total Cash Inflows from Rates	\$ 396,651	\$ 650,852
Annual Cash Outflows:			
4	Purchased Power	\$ 72,747	\$ 72,747
5	Chemicals	792	792
6	Repairs & Maintenance	16,609	16,609
7	Office Supplies and Expense	12,023	12,023
8	Outside Services	158,038	158,038
9	Water Testing	8,008	8,008
10	Transportation Expense	21,805	21,805
11	Insurance - General Liability	6,491	6,491
12	Rate Case Expense	13,439	13,439
13	Miscellaneous Expense	478	478
14	Property Taxes	15,504	19,589
15	Income Taxes	6,959	62,813
16	AIAC repayments	1,924	1,924
17	WIFA Loan Interest	-	99,421
18	WIFA Loan Principal	-	94,841
19	WIFA Debt Service Reserve	-	38,852
20	Total Annual Cash Outflows	\$ 334,817	\$ 627,870
21	Annual Cash Flow From Operations (Line 3 - 20)	\$ 61,834	\$ 22,982
22	Annual Cash Flow from Depreciation Expense	37,455	37,455
23	Annual Free Cash Flow (Line 21 - 22)	\$ 24,379	\$ (14,473)
24	% Free Cash Flow of Cash Inflows (Line 23 / 3)	6.15%	-2.22%
25	Monthly Cash In (Line 3 / 12)	\$ 33,054	\$ 54,238
26	Monthly Cash Out (Line 20 / 12)	(27,901)	(52,323)
27	Net Monthly Cash (Net of lines 25 & 26)	\$ 5,153	\$ 1,915
28	Monthly Cash Flow from Depreciation Expense (Line 22 / 12)	(3,121)	(3,121)
29	Monthly Free Cash Flow (Net of lines 27 & 28)	\$ 2,032	\$ (1,206)

ATTACHMENT 5

COMPANY PROPOSED SURCHARGE CALCULATION - INDIADA

Line			
1	Annual Interest and Fees	\$	9,104
2	Annual Principal		8,684
3	Annual Debt Reserve		3,558
4	Total Annual Payments	\$	21,346
5	Gross Revenue Conversion Factor		1.0161
6	Annual Surcharge Amount Necessary	\$	21,689
7	Number of Customers		56
8	Months in Year		12
9	Number of Annual Bills		672
10	Indiada Surcharge Amount per Month	\$	<u>32.28</u>

ATTACHMENT 6

COMPANY PROPOSED SURCHARGE CALCULATION - ANTELOPE RUN

Line				
1	Annual Interest and Fees	\$	32,538	
2	Annual Principal		31,039	
3	Annual Debt Reserve		12,715	
4	Total Annual Payments			\$ 76,292
5	Gross Revenue Conversion Factor			1.0161
6	Annual Surcharge Amount Necessary			\$ 77,520
7	Number of 5/8 x 3/4-inch Customers		163	
8	Months in Year		12	
9	Annual Bills			1,956
10	Number of 1-inch Customers		4	
11	Meter Multiplier		2.5	
12	Annual Equivalent Bills			120
13	Number of 2-inch Customers		1	
14	Meter Multiplier		8	
15	Annual Equivalent Bills			96
16	Total Annual Equivalent Bills			2,172
17	Antelope Run 5/8 x 3/4-inch Surcharge Amount per Month	\$		35.69
18	Antelope Run 1-inch Surcharge Amount per Month ¹			89.23
19	Antelope Run 2-inch Surcharge Amount per Month ²			285.53
20	Revenue Check:			
21	5/8 x 3/4-inch meters	\$	35.69	1,956 \$ 69,811
22	1-inch meters		89.23	48 4,283
23	2-inch meters		285.53	12 3,426
24	Totals			2,016 \$ 77,520

25 ¹ \$35.69 times AWWA Meter Multiplier of 2.5

26 ² \$35.69 times AWWA Meter Multiplier of 8

ATTACHMENT 7

COMPANY PROPOSED SURCHARGE CALCULATION - EAST SLOPE

Line				
1	Annual Interest and Fees	\$	58,308	
2	Annual Principal		55,622	
3	Annual Debt Reserve		22,786	
4	Total Annual Payments	\$	136,716	
5	Gross Revenue Conversion Factor		1.3000	
6	Annual Surcharge Amount Necessary			\$ 177,731
7	Number of 5/8 x 3/4-inch Customers		792	
8	Months in Year		12	
9	Annual Bills			9,504
10	Number of 1-inch Customers		15	
11	Meter Multiplier		3	
12	Annual Equivalent Bills			450
13	Number of 1.5-inch Customers		10	
14	Meter Multiplier		5	
15	Annual Equivalent Bills			600
16	Number of 2-inch Customers		3	
17	Meter Multiplier		8	
18	Annual Equivalent Bills			288
19	Total Annual Equivalent Bills			10,842
20	East Slope 5/8 x 3/4-inch Surcharge Amount per Month	\$		16.39
21	East Slope 1-inch Surcharge Amount per Month ¹			40.98
22	East Slope 1.5-inch Surcharge Amount per Month ²			81.96
23	East Slope 2-inch Surcharge Amount per Month ³			131.14
24	Revenue Check:	Surcharge	Annual Bills	Total
25	5/8 x 3/4-inch meters	\$ 16.39	9,504	\$ 155,797
26	1-inch meters	40.98	180	7,377
27	1.5-inch meters	81.96	120	9,836
28	2-inch meters	131.14	36	4,721
29	Totals		9,840	\$ 177,731

30 ¹ \$16.39 times AWWA Meter Multiplier of 2.5

31 ² \$16.39 times AWWA Meter Multiplier of 5

32 ³ \$16.39 times AWWA Meter Multiplier of 8

ATTACHMENT 8

COMPANY PROPOSED SURCHARGE CALCULATION - ESARIN (Consolidated)

Line				
1	Annual Interest and Fees	\$	99,421	
2	Annual Principal		94,841	
3	Annual Debt Reserve		38,852	
4	Total Annual Payments	\$	233,114	
5	Gross Revenue Conversion Factor		1.3288	
6	Annual Surcharge Amount Necessary			\$ 309,762
7	Number of 5/8 x 3/4-inch Customers		1,011	
8	Months in Year		12	
9	Annual Bills			12,132
10	Number of 1-inch Customers		19	
11	Meter Multiplier		3	
12	Annual Equivalent Bills			570
13	Number of 1.5-inch Customers		10	
14	Meter Multiplier		5	
15	Annual Equivalent Bills			600
16	Number of 2-inch Customers		4	
17	Meter Multiplier		8	
18	Annual Equivalent Bills			384
19	Total Annual Equivalent Bills			13,686
20	ESARIN 5/8 x 3/4-inch Surcharge Amount per Month			\$ 22.63
21	ESARIN 1-inch Surcharge Amount per Month ¹			56.58
22	ESARIN 1.5-inch Surcharge Amount per Month ²			113.17
23	ESARIN 2-inch Surcharge Amount per Month ³			181.07
24	Revenue Check:	Surcharge	Annual Bills	Total
25	5/8 x 3/4-inch meters	\$ 22.63	12,132	\$ 274,590
26	1-inch meters	56.58	228	12,901
27	1.5-inch meters	113.17	120	13,580
28	2-inch meters	181.07	48	8,691
29	Totals		12,528	\$ 309,762

30 ¹ \$22.63 times AWWA Meter Multiplier of 2.531 ² \$22.63 times AWWA Meter Multiplier of 532 ³ \$22.63 times AWWA Meter Multiplier of 8

ATTACHMENT 9

Antelope Run Water Company/East Slope Water Company/ Indiada Water Company Consolidated

Docket No. W-02327A-10-0171 et al.

Test Year Ended December 31, 2009

Amended Rejoinder Schedule: H-3

Title: Changes in Representative Rate

Schedules - Page 1 of 2

Explanation:

Schedule comparing present rate schedules with proposed rate schedule.

(Note: Rates apply to both residential and commercial usage)

Required for: All Utilities ☒
 Class A ☐
 Class B ☐
 Class C ☐
 Class D ☐
 Specd Reqmt ☐

Description	Present Rate	Proposed Rate
MONTHLY USAGE CHARGE		
5/8" x 3/4" Meter	NA	\$ 13.45
3/4" Meter	NA	20.18
1" Meter	NA	33.63
1-1/2" Meter	NA	67.25
2" Meter	NA	107.60
3" Meter	NA	215.20
4" Meter	NA	336.25
6" Meter	NA	672.50

Commodity Charges Per 1,000 Gallons:

5/8 x 3/4 - inch meter

Tier one: 0 - 3,000 Gallons	NA	\$1.07
Tier two: 3,001 to 10,000 Gallons	NA	\$1.93
Tier three: All Gallons Over 10,000	NA	\$3.47

3/4 - inch meter

Tier one: 0 - 3,000 Gallons	NA	\$ 1.07
Tier two: 3,001 to 10,000 Gallons	NA	1.93
Tier three: All Gallons Over 10,000	NA	3.47

One - inch meter

Tier one: 0 - 25,000 Gallons	NA	\$ 1.93
Tier two: All Gallons Over 25,000	NA	3.47

One and one half - inch meter

Tier one: 0 - 50,000 Gallons	NA	\$ 1.93
Tier two: All Gallons Over 50,000	NA	3.47

Two - inch meter

Tier one: 0 - 80,000 Gallons	NA	\$ 1.93
Tier two: All Gallons Over 80,000	NA	3.47

Three - inch meter

Tier one: 0 - 140,000 Gallons	NA	\$ 1.93
Tier two: All Gallons Over 140,000	NA	3.47

Four - inch meter

Tier one: 0 - 200,000 Gallons	NA	\$ 1.93
Tier two: All Gallons Over 200,000	NA	3.47

Six - inch meter

Tier one: 0 - 400,000 Gallons	NA	\$ 1.93
Tier two: All Gallons Over 400,000	NA	3.47

Antelope Run Water Company/East Slope Water Company/ Indiada Water Company Consolidated

Docket No. W-02327A-10-0171 et al.

Amended Rejoinder Schedule: H-3
Title: Changes in Representative Rate
Schedules - Page 2 of 2

Description	Present Rate	Proposed Rate
SERVICE CHARGES		
Establishment	NA	\$ 35.00
Reconnection (Delinquent)	NA	35.00
Meter Test (If Correct)	NA	25.00
Meter Reread (If Correct)	NA	20.00
NSF Check Charge	NA	25.00
Deposit		*
Deposit Interest (Per Annum)		*
Deferred Payment (Per Month)	1.50%	**
Late Charge (Per Month)	2%	**
Re-establishment (Within 12 Months)		***
After Hours Service Charge		35.00

MONTHLY SERVICE CHARGE

FOR FIRE SPRINKLER: N/A ****

SERVICE LINE AND METER INSTALLATION CHARGES

Refundable Pursuant to AAC R14-2-405

Description	Present Rate	Proposed Rates		
		Service Line	Meter Charge	Total Charge
5/8" x 3/4" Meter	NA	\$ 430.00	\$ 130.00	\$ 560.00
3/4" Meter	NA	430.00	230.00	660.00
1" Meter	NA	480.00	290.00	770.00
1-1/2" Meter	NA	535.00	500.00	1,035.00
2" Meter - Turbine	NA	815.00	1,020.00	1,835.00
2" Meter - Compound	NA	815.00	1,865.00	2,680.00
3" Meter - Turbine	NA	1,030.00	1,645.00	2,675.00
3" Meter - Compound	NA	1,150.00	2,545.00	3,695.00
4" Meter - Turbine	NA	1,460.00	2,620.00	4,080.00
4" Meter - Compound	NA	1,640.00	3,595.00	5,235.00
6" Meter - Turbine	NA	2,180.00	4,975.00	7,155.00
6" Meter - Compound	NA	2,300.00	6,870.00	9,170.00

* Per Commission Rule AAC R-14-2-403(B).

** 1.50% of unpaid monthly balance.

*** Month off system times the monthly minimum per Commission rule AAC R14-2-403(D).

**** 1% of monthly minimum for a comparable sized meter connection, but no less than \$5.00 per month. The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.

Supporting Schedules: